

Internal Revenue Code 415(b) Limits

Fact Sheet

Internal Revenue Code Section 415(b) imposes a dollar limit on the benefit amount the State Retirement Agency of Maryland (SRA) can pay from tax-deferred plan funds.

Because members may retire at a relatively early age with a high percentage of highest final average salary (FAS), a few highly paid members may be subject to the 415(b) limit.

The 415(b) limit increases as the age at retirement increases. See the abbreviated table on the right for those retiring in 2009. The table outlines the annual benefit limitation amounts for non-disability, non-police retirees. This is a very complicated limit, but the SRA believes this information may be helpful to our members.

Prior to retirement, you may estimate whether your benefit may be affected by this 415(b) limit as follows:

1. Request an estimate of your retirement allowances by submitting an Application for an Estimate of Service Retirement Allowance. This form is available from your Retirement Coordinator and also online at our website, www.sra.state.md.us.
2. Once you have received a Notice of Retirement Allowance Estimate, compare the estimated amount listed as your Basic Allowance to the amount in the table on the right for the retirement age used to determine your estimated benefit.
3. If your estimated Basic Allowance is less than the amount shown in the table, you should not be subject to the 415(b) limit. However, the limit may be further reduced if you plan on selecting one of the optional forms of benefits.
4. If your estimated Basic Allowance is more than amount shown in the table, you may be subject to the 415(b) limit.

If item 4 above applies to you, further analysis by the SRA's actuary will be required to determine if your actual benefit at retirement will be limited.

Given the cost of such actuarial analysis and the need to do the analysis with actual retirement information, the SRA will wait until it has received your Retirement Application before requesting the actuarial analysis.

If the actuary determines that your benefit exceeds the 415(b) limit at retirement, the SRA will pay you the maximum amount permitted under 415(b). Please note that cost of living adjustments are also subject to the 415(b) limits as adjusted.

Before you decide to retire, make certain you have a current Notice of Retirement Allowance Estimate. The SRA strongly urges you to consult with a qualified tax adviser who is familiar with your particular financial facts and circumstances, including any plans other than SRA-sponsored plans in which you may have participated. You may direct your questions to the SRA at (410) 625-5555 or (800) 492-5909.

This fact sheet provides general information about the effect of Internal Revenue Code Section 415(b) limits on SRA benefits. Your rights, benefits, and obligations as a SRA member are governed by the State Personnel & Pensions Article of the Maryland Annotated Code, the Rules of the Maryland State Retirement System and Federal law, all of which take precedence over any interpretations in this fact sheet.

Abbreviated Table of Section 415 Limits for 2009

***Limit increases each
month a member ages***

Age	Limit (\$)
50	84,903
51	90,448
52	96,439
53	102,921
54	109,948
55	117,578
56	125,881
57	134,932
58	144,819
59	155,644
60	167,522
61	180,589
62	195,000
63	195,000
64	195,000
65	195,000

Limitation amounts
are based upon annual
retirement allowance.
(Monthly x 12)